



# Palau Business Outlook

*3<sup>rd</sup> Quarter 2005*

## INTRODUCTION

This report summarizes the results of the survey regarding business confidence of public and private business establishments in Palau about the present and future economic climate. The results of the survey are expressed as an index called the Diffusion Index (DI), which can be described as the percentage of the total sample. The DI reflects the overall level of confidence and is used to evaluate the trend of general economic activity. The values of the index range from 0 to 100. Figures over 50 indicate an “Uptrend” and figures below 50 indicate a “Downtrend”.

The DI indicates the directional movement of the economy, but it does not necessarily indicate the scale level of the economy. At present this method is used to measure economic trends in many countries.

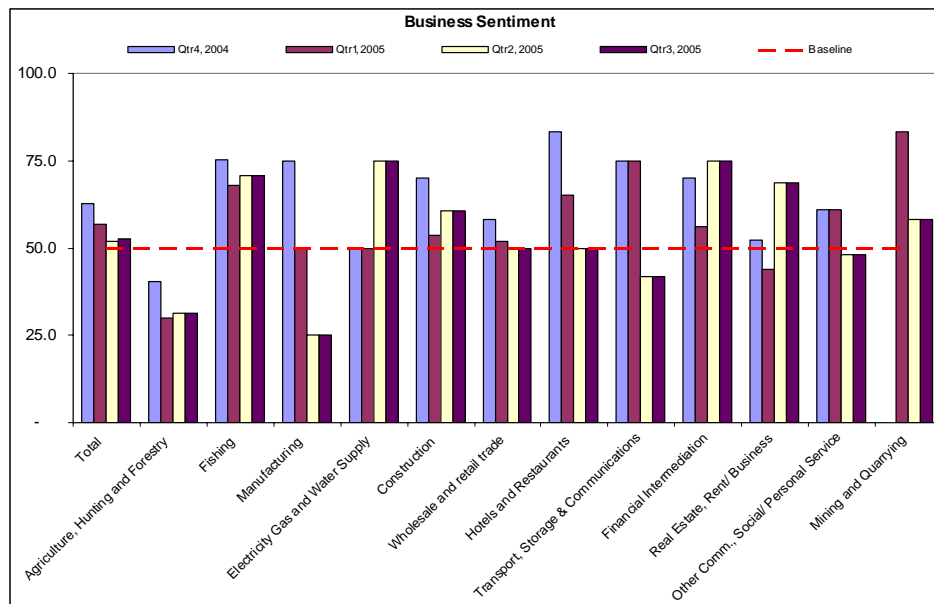
The Office of Planning & Statistics (OPS), under the Bureau of Budget and Planning in the Ministry of Finance, conducted the short-term economic trend survey for the first time in Palau for the 4<sup>th</sup> quarter of 2004. The survey targeted 10 percent of total registered companies by type of business. The third quarter survey was administered from the middle to the end of November 2005 primarily by email to help facilitate completion. The survey will be conducted every quarter for use in conjunction with planned dissemination of quarterly economic indicators to help monitor economic activity and evaluate economic conditions.

The OPS takes this opportunity to thank the business community of Palau especially those who participated in the survey for taking the time to complete the questionnaire. If you have any questions regarding the survey or suggestions on how we can make it more useful to you, please contact our office. The results of this survey are available at our website [www.palau.gov.net/stats](http://www.palau.gov.net/stats) and at the end of the month following the end of each quarter for subsequent surveys. We also have a direct distribution list. Please let us know if you would like to receive the results directly. Thank you for your support and cooperation.

## BUSINESS SENTIMENT

Overall business sentiment in the 3<sup>rd</sup> quarter of 2005 reflected an UPTREND associated with a sustained high level of economic activity. It showed an uptrend for four consecutive quarters.

DI for business sentiment was 52.6 points. Particularly, the DI for financial intermediation, electricity and water supply, fishing and real estate & business activities was high at 75.0, 75.0, 70.8 and 68.8 points respectively. Continued strong visitor arrivals and ongoing public and private sector construction projects were significant contributing factors. On the other hand, business sentiment for other services, transport & communication, agriculture and mining & quarrying indicated a downtrend with the DI at 47.9, 41.7, 31.3 and 25.0 respectively.



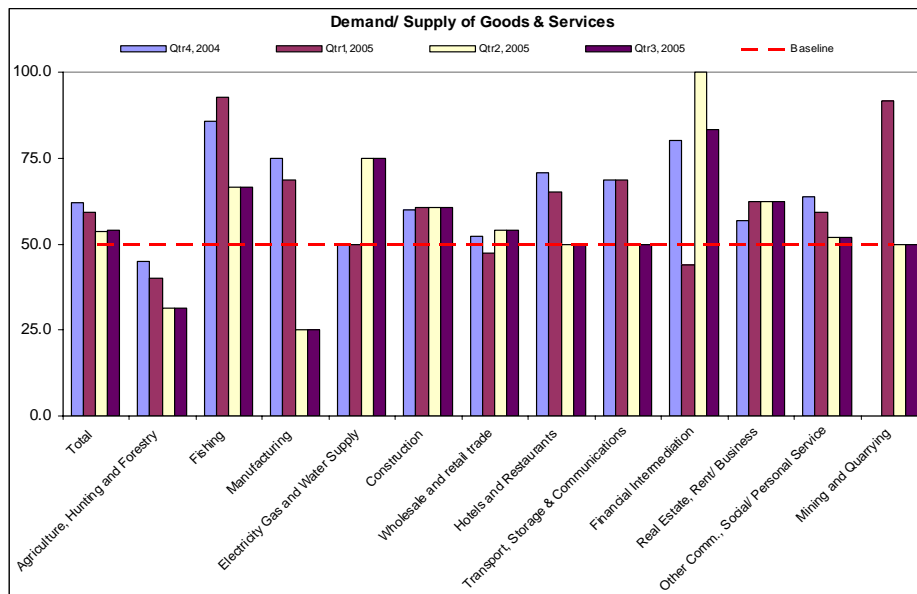
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## DEMAND AND SUPPLY OF GOODS AND SERVICES

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Overall demand and supply for goods and services was SUFFICIENT. It showed an uptrend for four consecutive quarters.

DI for demand and supply for goods and services was 54.2 points. DI for most of businesses was in an uptrend. Particularly, DI for financial intermediation, electricity & water supply, fishing, real estate & business activities was over 60 points at 83.3, 75.0, 66.7 and 62.5 points respectively, while DI for agriculture and mining & quarrying was below 50 points at 31.3 and 25.0 points respectively.



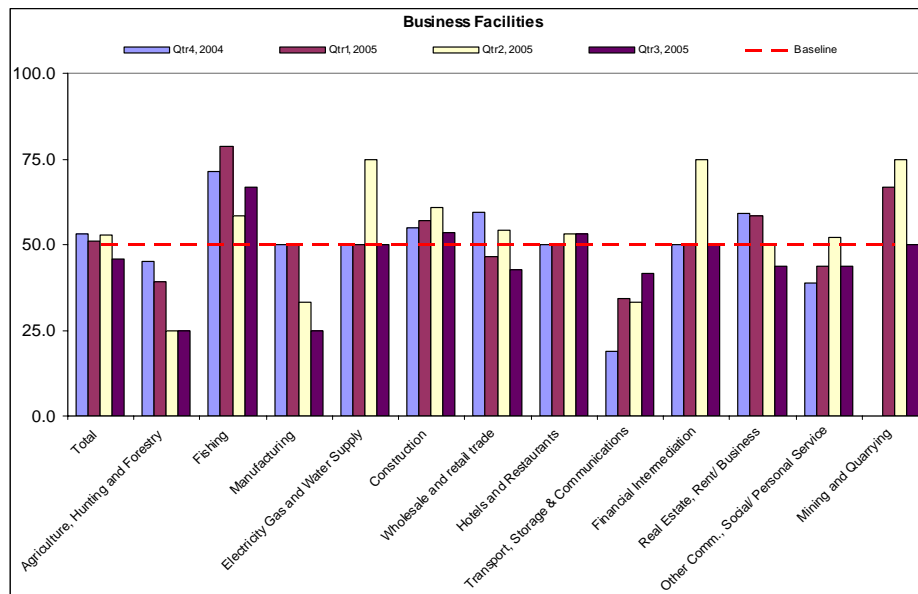
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## BUSINESS FACILITIES

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Overall capacity of business facilities was SLIGHTLY EXCESS.

DI for business facilities was 45.8 points. DI for fishing, construction and hotels & restaurants was over 50 points at 66.7, 53.6 and 53.1 points respectively. DI for agriculture and mining & quarrying were below 50 points both at 25.0 points. On the whole, the result points to a little bit cautious capital investment in the future.



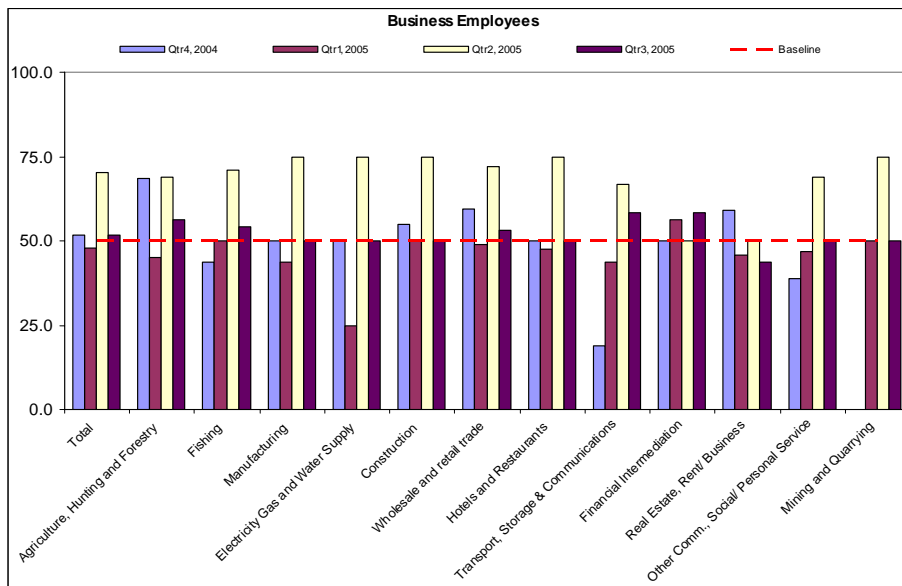
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## Business Employees

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Overall business employees, or employment, indicate an UPTREND.

DI for employees was 51.9 points. DI for almost all businesses was over 50 points except real estate & business activities. . DI for financial intermediation, transport & communications, agriculture, fishing and wholesale & retail trade was over 50 points at 58.3, 58.3, 56.3, 54.2 and 53.1 points respectively.. DI for employment plan in 2005 is 55.1 points. The results indicate a positive trend for employment for the future.



## Cash Flow

Overall cash flow is in a NEUTRAL SITUATION.

DI for cash flow was 49.0 points. DI for fishing, electricity & water supply and financial intermediation was over 60 points at 62.5, 75.0 and 83.3 points respectively. DI for agriculture and mining & quarrying was below 30 points at 12.5 and 25.0 points respectively. This result indicates that cash flow for most of businesses slightly dropped compared to last quarter however it is still in a favorable situation.

